



City of Albuquerque

Office of Internal Audit

FOLLOW-UP
TRANE, INC. –
CITYWIDE VENDOR AUDIT
Report #22-19-105F
Date: December 15, 2021

INTRODUCTION

The Office of Internal Audit (OIA) issued Audit No. 19-105, Trane, Inc. – Citywide Vendor Audit on August 22, 2019. OIA completed a follow-up to determine the corrective actions that the Department of Finance and Administrative Services (DFAS) has taken in response to the report. The report contains two recommendations, of which one has been implemented and is now considered closed and one which remains open.

BACKGROUND

OIA completed a citywide vendor performance audit of Trane, Inc. (Trane) billings under the City's HVAC On-Call Service contract No. 708371 for the period of July 1, 2016 through December 15, 2018. This audit was included in OIA's fiscal year (FY) 2019 audit plan. The audit objectives were to determine:

- Are the vendor's billings accurate and in conformance with the contract?
- Is the vendor in compliance with the licensing and insurance requirements of the contract?

Further information pertaining to the audit objectives, scope, limitations and methodology can be found in Appendix A of the original audit report.

Trane offers a broad range of energy-efficient heating, ventilation and air conditioning (HVAC) systems; dehumidifying and air cleaning products; service and parts support; advanced building controls and financing solutions.

The City of Albuquerque (City) contracted with Trane to provide on-call HVAC services for City facilities. The audited contract began on May 20, 2016 and extended through May 19, 2020.

OBJECTIVE

The objective of this follow-up was to determine whether DFAS has taken the corrective actions recommended in OIA's August 22, 2019 audit. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, DFAS is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact and

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appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendation from the final audit report dated August 22, 2019 through the submission of actions on December 2, 2021.

METHODOLOGY


To achieve the objective, OIA:

- Obtained documentary evidence from DFAS.
- Corresponded with DFAS to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that DFAS had reported as implemented

RESULTS


Of the two recommendations addressed in the original audit report, one has been implemented and is now considered closed. One recommendation remains open. See ATTACHMENT 1

SUBMITTED:

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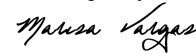
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Edmund E. Perea, Esq., Chairperson
Accountability in Government Oversight Committee

ATTACHMENT 1

Recommendations	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
<p><u>Recommendation #1</u> The CAO should:</p> <ul style="list-style-type: none"> • Emphasize to all user departments during the Purchasing Liaison User Group meetings the importance of verifying contractual compliance prior to authorizing payments, which include the following: <ul style="list-style-type: none"> ○ Ensure future billing rates are aligned with the labor qualifications of each employee being billed, especially those rates that require a Journeyman license. ○ Ensure trip charges are no longer billed to the City. ○ The actual T&M amounts for services are invoiced and all supporting documentation is provided when billing for quoted services. <ul style="list-style-type: none"> ▪ If the actual T&M cost is estimated to be more than the 	Department of Finance & Administration Services (DFAS)	<p>Although the Purchasing Division does not have documentation demonstrating that this information was shared with City end users in the August 2019 PLUG meeting, or communicated to PLUG members shortly thereafter, we feel that it is likely that the prior manager in Purchasing completed this task. As an ongoing corrective measure, the Purchasing Division has taken a number of actions to guide City end users in the processes for contract administration, ordering, invoice review, and payment approvals, including:</p> <ol style="list-style-type: none"> 1. Development of guidance for end users when ordering from a City-wide contract. See attached. 2. Development of guidance for end users when ordering from a state price agreement, or other government contract. See attached. 3. Amending Administrative Instruction 3-4 to streamline the vendor noncompliance process, including the use of the electronic Peoplesoft form 	<p>The Purchasing Division, a Division of the Department of Finance and Administration Services (DFAS) no longer has records to indicate that documentation demonstrating that information emphasizing the importance of verifying contractual compliance prior to authorizing payments was shared with end users in the August 2019 Purchasing Liaison User Group (PLUG) meeting, or communicated to PLUG members shortly thereafter.</p> <p>However, OIA noted that as of January 2020 PLUG meetings are recorded in SharePoint (the City of Albuquerque's web-based collaboration software) and are accessible to all City end users.</p> <p>In addition, OIA noted that the Purchasing Division has taken several measures to ensure billing compliance. These include: the</p>	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

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<p>quote – Trane should request City approval and provide a justification for the increase costs.</p> <ul style="list-style-type: none"> ○ Written approval is provided by the City for all sub-contractor(s) prior to the issuance of a Purchase Order. ● Work with Trane to determine and remedy the actual labor and trip overcharge costs that are estimated at \$23,004 for the audit period. ● Work with Trane to identify and remedy any billing variances for quoted services. ● Work with Trane to clarify and include the process for quoted service billings in the contract. 		<p>to report noncompliance issues. See attached.</p> <p>4. Amending Administrative Instruction 3-10 to streamline the internal noncompliance process, including the use of the electronic Peoplesoft form to report noncompliance issues. See attached.</p> <p>5. Amending Administrative Instruction 3-7 to streamline the vendor payment process and clarify the roles of city users.</p> <p>6. Providing ongoing reminders in PLUG meetings about reviewing contracts before ordering from them, reviewing quotes, and the importance of end user approval responsibility in the workflow. See attached for sample PLUG presentations.</p> <p>7. Holding vendor workshops to train vendors about City processes.</p> <p>8. Running queries on Post Purchase Order requisitions (services or goods provided without a PO in place first), and submitting letters to vendors warning of the violation of City policy. See attached.</p>	<p>development of guidance for users when ordering from both a Citywide government and State government contract, amending Administrative Instruction to further streamline the payment processes, conducting vendor trainings, and continuing to provide trainings to City employees in monthly PLUG meetings.</p> <p>OIA further noted that while the Purchasing Division provides guidance on billing and vendor compliance it is the responsibility of all City Departments to ensure billing rates align with the labor qualifications, the Time and Material (T&M) cost, and written approval is provided by the City for all sub-contractors increase costs.</p> <p>Finally, the Accounts Payable Division, a Division of (DFAS) has no documentation to indicate the Division worked with</p>	

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		<p>9. Providing letters to vendors on how they should accept orders from City end users on their contracts. See attached.</p> <p>The Accounts Payable section has no documentation to indicate we worked with Trane and the respective department to remedy the noted discrepancies. In such said situations, our standard practice is to request a credit invoice or a refund from the vendor.</p>	<p>Trane, Inc and the respective department to remedy the noted discrepancies. In such situations, the standard practice is to request a credit invoice or a refund from the vendor.</p>	
<p><u>Recommendation #2</u> The CAO should emphasize to all user departments during the Purchasing Liaison User Group meetings to verify all the information required by the contract when billing the City for services is included on every invoice, including the work sheet/ticket number, trade list price, discounted percentage, and detailed documentation to support quoted services.</p>	<p>Department of Finance and Administrative Services (DFAS)</p>	<p>See above.</p>	<p>The Purchasing Division developed guidance to issue to all user departments to assist in verifying that all the information required by the contract when billing the City for services is included on every invoice, including the work sheet/ticket number, trade list price, discounted percentage, and detailed documentation to support quoted services.</p> <p>The procedure steps are</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendations	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
			<i>Using Other Government Contracts</i> and are communicated to users during the monthly Purchasing Liaison User Group (PLUG) meetings held via the Zoom web platform with City Fiscal Management.	